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C O N F I D E N T I A L TAIPEI 002974

SIPDIS

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TAGS: [ETTC](#) [PARM](#) [PINR](#) [PREL](#) [PTER](#) [TW](#) [IT](#)

SUBJECT: TAIWAN EXPORT LICENSE APPLICATIONS AND P2S5

REF: STATE 125089

Classified By: AIT Acting Director David Keegan, Reason 1.4 b/d

1. (C) Summary: AIT delivered reftel U.S. comments on Taiwan export license applications to Board of Foreign Trade (BOFT) Export Controls Task Force Head Wally Su on July 7. BOFT will do further investigation of the proposed sale to Pakistan before deciding whether or not to grant a license. Su discussed the status of the P2S5 now stored in Kaohsiung and how he solved the problem of its disposal. End summary.

2. (C) AIT delivered to BOFT on July 7 reftel U.S. non-paper comments on the applications for Taiwan export licenses by the Ching Hung Machinery Company to export a "CHMER Wire Cut EDM" to end user NED University of Engineering and Technology (NEDUET) in Karachi, Pakistan and by the Far East Machinery Company to export a "CNC Horizontal Boring and Milling Machine" to end user Faraz Gostar-E-Sepahan in Isfahan, Iran.

3. (C) BOFT Wally Su took on board the U.S. comment that although the machine tools were not controlled items and there was no derogatory information in U.S. databases on the listed end-users, Taiwan should still weigh carefully the risk of diversion in its review of these cases. Su indicated that BOFT would not approve either application without further review, and would consult with Japan regarding the appearance of NEDUET on Japan's end-user blacklist and with Taiwan intelligence on its report that Pakistan might use the machine tool might to produce WMD components. Su was pleased with the quick USG response time of less than two weeks.

Status of P2S5 Chemical Shipment

4. (C) Su told AIT that he personally was responsible for the resolution of the P2S5 disposal problem. As part of his research on procedures to safely destroy the material (which, it turns out, are fairly complicated), Su contacted the Italian company that manufactured it, Italmatch Chemicals. To his surprise, Italmatch was totally unaware of Taiwan's many efforts to get rid of the material and readily agreed to take it back if the material was still in good condition and if Taiwan paid for the shipping. Based on photos Su provided Italmatch of the P2S5 containers and the warehouse where they are stored, and information on the storage conditions, Italmatch concluded the material was still in good condition with significant commercial value. The P2S5 is now scheduled to be shipped to Italmatch in Italy at the end of July.

5. (C) Su told AIT that all 158 drums of P2S5 are still in the same storage facility that they were moved to when off-loaded from the North Korean ship. The drums have no odors or exterior signs of rust or decay. The drums have not been moved and have remained sealed. BOFT has had control over the drums since they were seized almost two years ago. Some time ago, BOFT sent a legal notice to the listed North Korean end-user Daesong Corporation asking if it wished to file a claim. Daesong did not respond and there were no subsequent requests for compensation or for the material to be returned. As far as BOFT was aware, North Korea has not taken any legal action to recover the material or for compensation. Su said that since Daesong did not respond to the notice BOFT sent, its legal claim to the material was forfeited.

KEEGAN